Amendments to the Specification:

Please replace the paragraph beginning at page 2, line 3, which begins with "According to the present invention . . .", with the following rewritten paragraph:

According to the present invention there is provided a compressor comprising: a compressor wheel having compressor blades and being mounted for rotation on a shaft, a shroud mounted adjacent the wheel and defining a gas flow path between the shroud and the blades from a compressor inlet to a diffuser outlet; wherein in cross-section the shroud has a surface in the flow path with a profile which includes a section with a smoothly curving surface and at least one relative discontinuity.

Please replace the paragraph beginning at page 4, line 22, which begins with "The cut-out 12 has an axial length . . .", with the following rewritten paragraph:

The cut-out 12 has an axial length 17 which is of the same order as the axial clearance [[6]] between the wheel and the housing 3 at the wheel trailing edge.

Please replace the paragraph beginning at page 4, line 24, which begins with "The dimensions of the cut-out 12 are exaggerated . . .", with the following rewritten paragraph:

The dimensions of the cut-out 12 are exaggerated in FIGS. 2 and 3 to more clearly illustrate the invention. The true intended proportions are more accurately illustrated in FIG. 1. For example, a compressor having an air inlet 7 of approximately 38 mm with a wheel exducer tip 8 of approximately 52 mm, might typically have a wheel tip to housing clearance [[20]] of 0.50

mm and radial clearance 6 of 0.3 mm and a cut-out 12 with radial clearance distance 16 of also about 0.30 to 0.50 mm. The axial overlap of the cut-out 12 with the blades 5 might typically be as small as 0.16 mm.

Please replace the paragraph beginning at page 5, line 9, which begins with "In FIG. 3 a preferred embodiment . . .", with the following rewritten paragraph:

In FIG. 3 a preferred embodiment of the invention is shown in which a second step 22 is provided in the region of the leading edge of the wheel and blades 5, preferably just upstream of the blade edge and spaced therefrom by a distance 18 which is approximately the same as the wheel-housing axial clearance 23 at the impeller trailing edge, [[ie]] i.e., the wheel tip 8 (this is the distance between the housing shroud and the wheel shroud which allows some slight axial movement of the wheel as it spins). The second step 22 has a radial height 19 which is of the same order or approximately equal to the wheel-housing radial clearance 6 at the impeller leading edge 8. Thus the radial heights 16, 19 of each step 12, 22 are approximately the same and are equal to the wheel housing radial clearance 6.

Please replace the Abstract of the Disclosure with the following rewritten Abstract of the Disclosure: